

DOCUMENT RESUME

ED 398 450

CE 072 373

AUTHOR Reilly, Peter
TITLE Human Resource Planning: An Introduction. Report 312.
INSTITUTION Sussex Univ., Brighton (England). Inst. for Employment Studies.
REPORT NO ISBN-1-85184-238-1
PUB DATE 96
NOTE 55p.; Study supported by the IES Co-operative Research Programme.
AVAILABLE FROM BEBC Distribution, 15 Albion Close, Parkstone, Poole BH12 3LL, United Kingdom.
PUB TYPE Guides - Non-Classroom Use (055)
EDRS PRICE MF01/PC03 Plus Postage.
DESCRIPTORS Adult Education; Foreign Countries; *Human Resources; Labor Force; *Labor Force Development; Labor Supply; Organizational Development; *Planning
IDENTIFIERS Great Britain

ABSTRACT

This report is designed to give readers an introduction to the principles of human resource planning (HRP) and the areas in which it can be used, including those facing today's managers. Chapter 1 outlines why some organizations no longer plan, describes the background of change and uncertainty that discouraged them, and defines HRP. Chapter 2 first discusses why, although facing some of the same pressures, other organizations continue to use HRP. The reasons discussed include planning for substantive reasons, i.e., to have a practical effect, and planning because of the process benefits. The second part of the chapter addresses where, how, and by whom HRP is carried out. Chapter 3 illustrates the uses of HRP. It contains selected examples pertinent to the problems that organizations are facing today and have always faced. Four issues are used to illustrate the sorts of uses to which HRP is put: determining staff numbers required at a new location; retaining highly skilled staff; managing an effective downsizing program; and determining where the next generation of managers will come from. Chapter 4 focuses on the process benefits of HRP, the value that comes from posing the questions more than attempting to answer them. It covers three broad areas in which asking the questions is seen as useful: thinking about the future, corporate control, and integrating actions. Chapter 5 looks toward the future of HRP. Contains 25 references. (YLB)

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Human Resource Planning: An Introduction

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Human Resource Planning: An Introduction

Peter Reilly

A study supported by the
IES Co-operative Research Programme



REPORT 312

Published by:

THE INSTITUTE FOR EMPLOYMENT STUDIES

Mantell Building
University of Sussex
Brighton BN1 9RF
UK

Tel. + 44 (0) 1273 686751

Fax + 44 (0) 1273 690430

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British Cataloguing-in-Publication Data

A catalogue record for this publication is available from the British Library

ISBN 1-85184-238-1

Printed in Great Britain by Microgen UK Ltd

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Acknowledgements

We would like to note and thank the assistance of Christine Clayton, who was seconded from ICI and who did significant work at an earlier stage of this project.

We would like to acknowledge too the help of the organisations which contributed to the development of this report, and in particular those who commented on the draft.

Thanks are also due to those within the Institute who performed similar tasks.

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1. Introduction

1.1 Purpose of report

No doubt many would recognise and perhaps agree with the opinion of a French manager who after the 1973 oil crisis blasted: *'those that say they make plans and that these work are liars. The term planning is imbecilic; everything can change tomorrow.'* (quoted in Minzberg, 1994). There is no doubt that change has become a byword of business. It is a sobering thought that in a recent survey, 90 per cent of the UK's larger organisations had restructured sometime in the last five years, nearly always involving job loss. Furthermore, two-thirds of the same companies expect to restructure again in the near future (RSA, 1994). Besides downsizing, many organisations have altered their internal form through delayering or devolvement. There have been numerous take-overs, mergers and de-mergers as companies have responded to stock market pressures.

The reasons for this situation are various and affect different companies in different ways. There are however common pressures — intensified competition from home and abroad; the speed of information acquisition and dissemination; the globalisation of economic activities; consumerism and the drive for quality at an acceptable price.

The public sector has been far from immune to these changes. The privatisation process has transformed a number of organisations which have had to grapple with the pressures of working in a commercial environment. Compulsory Competitive Tendering and the impact of cash limits have profoundly affected employment in local government. The 'first steps' initiative in the civil service has altered patterns of employment in the devolved departments and agencies. The list could go on.

The response of some organisations to this situation has been to abandon planning, or certainly manpower planning. Some share the view of the manager quoted above that planning at all in an uncertain world is doomed to failure. They think planning:

- is too inflexible and slow to respond to change
- is biased towards control rather than innovation
- is too conservative in assumptions and tends towards risk avoidance
- relies on poor, usually over optimistic, forecasting.

Others admit that organisational change has removed the requirement for or the capability to do manpower planning through the:

- decentralisation of decisions and the abandonment of the central planning responsibility
- transfer of responsibility for HR issues to line managers
- loss of manpower planning expertise during devolvement and downsizing — too resource/skill/time intensive to be maintained.

Or thirdly, some believe that the HR agenda has moved on or previous problems have disappeared, removing the impetus to plan. For example:

- supply shortages are no longer a significant issue
- a move to qualitative issues (eg upgrading skills, improving performance, flexible working) away from quantitative issues
- more concern now with change management and maximising the contribution of the workforce.

Many of the criticisms of planning are understandable, but are they acceptable? Can we say that just because it is difficult to plan we should not do so. Similarly, whilst organisational change and the loss of planning capability has rendered it harder, are these insurmountable problems? Finally, does human resource planning have something to offer against the new agenda and does the concentration on quality deny a role for quantity in considering HR issues?

This report was written because we believe that, given the extent and speed of change, the need to plan is all the greater. This is because we recognise that today's decisions will have an effect tomorrow whether we plan or not. Rather than leave it to chance, we think it better to develop a clear understanding of one's present situation, consider the key future issues and manage the interplay between the two. Which leaves us with the difficult question of how to do it. This report aims to give readers an introduction to the principles of human resource planning and the areas in which it can be used, including those facing today's managers. Without going into the detail, the report should provide ideas on how to approach problems rather than give definitive answers; not just because of the difficulties in being definitive, but because what might be appropriate to one organisation is not suitable for another. It also suggests that whilst there are sophisticated techniques available, much can be achieved by an ordinary manager without the need to resort to specialist expertise.

The material upon which the report is written is derived from discussions with Human Resources staff in a small number of large organisations who are, or have been, involved with planning. This has been supplemented by a short literature review. It also makes use of IES experience of working in this field over the last 25 years. The report is directed at HR, or line, managers who would like to know more about the way in which HR planning can assist in dealing with their present issues. It may also be useful to those in business planning or organisational design, who interface with HR planners. As an introduction to the subject it will not be comprehensive, either as to practice or theory, nor will it be a handbook detailing techniques. We hope, however, that it will give those new to this field an indication of the benefits of human resource planning and, for older hands, some ideas to stimulate fresh thinking.

1.2 HRP: a definition

Before we go any further it would seem helpful to clarify what we mean by human resource planning (HRP) and how we would distinguish it from other concepts.

We would define HRP as:

a process in which an organisation attempts to estimate the demand for labour and evaluate the size, nature and sources of the supply which will be required to meet that demand.

Using this definition some would see HRP as synonymous with manpower planning, and this response would in many ways be justified. However we would prefer to use *HR* rather than *manpower* planning, not just for reasons of gender equality, but because of the past association of manpower planning with a rather centralised, mechanistic, number crunching type of process; whereas HRP allows for more recognition of qualitative issues, especially concerning skills, and is appropriate in a variety of organisational settings. Nevertheless we would not want to go so far as to make HRP an all-inclusive term that sweeps in a whole host of personnel management activities (à la Bramham, 1994). We believe that HRP has a number of distinctive and limiting characteristics. It is:

- conscious
- explicit
- analytical
- purposive
- forward looking
- dynamic
- aggregate
- quantitative.

In other words, HR planners consider the future in a structured way, with the intention of identifying areas for action as a result of their analysis of the supply/demand balance. This also involves an evaluation of the various options that are associated with the supply. HRP is intended to be an aggregate and quantitative exercise, but that does not mean that it cannot consider skills or the quality of the supply. Thus the workforce can be disaggregated into appropriate sub-groups based on grade, occupation, expertise or whatever. Similarly, planners can recognise the need for differentiation in quality, for example in graduate recruitment. The point is that HRP considers the quantum of people rather than named individuals. When one is involved in making decisions about individual employees, about their skills and abilities in relation to filling specific jobs, then we would say that one has passed from planning into

resourcing. The latter is a *doing* rather than the *thinking* activity of planning. Resourcing tends to operate over shorter time scales and is of necessity concerned with quality — have we the right person for the job, rather than how large is the supply pool.

The water gets muddled somewhat when one introduces the term *resourcing strategy* into the discussion. This is because the term seems to be used in a variety of ways. We will use it in this report to describe how planning and resourcing are combined to produce an action plan. HRP sets the agenda of what issues need to be addressed. The resourcing strategy would then go onto to determine how, typically over the medium term, these will be dealt with in terms of recruitment, severance, promotion, transfer *etc.*

This suggests a rather more systematic and one-way process than is likely to be found in practice. Implementing resourcing decisions may produce feedback which will affect plans. Actions may well be taken which cannot be said to follow the intended strategy. Yet as we will see, the notion of having a formalised mechanism to structure decision making is seen as one of the benefits of HRP, even if in practice the world is more complicated.

We will now look at this and other reasons why organisations use HRP, and how the context of this activity has altered over the years.

2. Why and How Organisations Use HRP

2.1 Why do organisations plan their human resources?

In the Introduction we outlined why some organisations no longer plan and we described the background of change and uncertainty which discouraged them. Why is it that facing the same pressures, other organisations continue to use HRP? From a review of the literature and our own research there are a number of reasons which can be grouped into two:

- planning for substantive reasons, *ie* to have a practical effect
 - to optimise use of resources/make them more flexible
 - to acquire and grow skills which take time to develop
 - to identify potential problems
 - to minimise the chances of making a bad decision
- and
- planning because of the process benefits
 - to (re)gain corporate control over operating units
 - to understand the present in order to confront the future
 - to challenge assumptions/liberate thinking
 - to co-ordinate/integrate organisational decision making and actions
 - to link HR plans to business plans so as to influence them
 - to make explicit decisions which would allow later challenge
 - to stand back, provide an overview
 - to ensure long-term thinking is not driven out by short-term focus
 - to communicate plans so as to obtain support/adherence to them.

Historically, there have been two drivers to manpower planning: supply shortage and the need to improve labour utilisation. Manpower planning grew during the 1960s and early 1970s when demand was not a constraining factor, only supply. Unemployment levels were low and skill requirements were becoming greater due to technological progress. Employers sought therefore to hang on to their skilled labour because of the difficulty of acquiring it and the cost of training it once recruited. Interest centred on recruitment planning, wastage and retention. The early exponents of manpower planning developed increasingly sophisticated models to forecast how manpower supply might match demand, but in a context of relative economic stability.

In parallel there was concern over the UK's poor labour productivity performance compared to the USA and Germany. Many line managers especially in manufacturing plants gave their attention to how output could be raised. This spawned interest in improving manpower utilisation and efficiency through work study methods, and by productivity schemes which also tried to reduce the frequent demarcation disputes.

When serious concern about supply shortages returned in the second half of the 1980s, the context had significantly changed. Increased international competition, a more complex business environment, and unpredictable patterns of change meant that organisations did not necessarily return to older methods of manpower planning which were by then seen as too deterministic. Restructuring, particularly the devolving of decision making, also meant that some organisations had lost the capacity to plan and had less central control over resource management. There was, moreover, a change in the HR agenda. Issues now concerned quality — of performance, of output or of product — rather than quantity.

Yet despite this apparent disillusionment with planning, the above list shows that benefits are still seen by some. There are organisations predisposed to plan and which have always done so because of:

- a policy of 'growing their own timber' rather than 'buying in' as necessary
- the need for skills which are often in short supply
- the complexity of the expertise required which leads to extended training with consequently long recruitment lead times.

There are also factors that come from the demand side of the equation:

- decisions are made over extended time scales particularly in capital intensive industries
- a perception that the organisation's demand is stable, or at least predictable
- control of resources rather than laissez faire growth is required in organisations at a particular stage of development.

These are the sort of employers who would choose to argue in favour of HRP for the substantive benefits it gives in anticipating or avoiding problems, especially where the consequences of errors are serious due to the length of time required for correction.

There are others who have accepted the imperatives of the modern world and have adapted HRP accordingly. Thus there is an awareness of the importance of skill development in an environment that requires adaptability rather than stability. This means a more flexible approach to staffing. There is a recognition that employee contribution must be maximised through better utilisation and deployment. Finally, there is an understanding of the need to frame employee tasks in the context of business plans, and to make them more challenging in the drive for continuous business improvement. In summary, to concentrate purely on numbers is insufficient. Due attention has to be given to who is employed and how they are used, so that resources can be optimised. HRP is seen as being able to assist in meeting these objectives.

Those that see value in HRP's process benefits emphasise the importance of co-ordinating actions, and indeed in some companies gaining corporate control over them. This has the advantage of aligning behaviour in relation to common goals. Additionally, it is felt that it gives organisations time and space to think about the future, not necessarily with any certainty as to how it will turn out, but with the belief that this will provide a reference point for later use.

Before giving examples to illustrate these uses in somewhat more detail, we will consider the organisational context of how HRP is used.

2.2 Where, how and by whom is HRP carried out?

We have seen that there are circumstances that predispose certain organisations to plan their manpower. This has led some commentators to produce typologies of organisations based on their structural differences (eg capital versus labour intensive) or on the varying way they pursue their business and resourcing strategies. However, organisations do not always neatly fit the categories ascribed to them. In HR terms, a fast moving consumer goods company may be managed more like a capital intensive business, or vice versa. Whilst exogenous factors are important, so too are endogenous. Organisational behaviour is not only set by the external environment within which it operates. Such factors as its culture and ideology (which may be of historical origin, or the product of the current management) are also important. Moreover, many organisations are too diverse to categorise them as single entities. This is self evidently true for conglomerates, but even within the same business planning requirements vary enormously; for example, the lead time to recruit a doctor is clearly different from a health care assistant.

There is also the difficulty that HRP can be applied in a number of settings and for a variety of purposes. These include:

- Meeting the budgetary requirement for employee numbers.

This is necessary for cost and sometimes productivity estimates, usually over the following year. It may be based on an analysis of supply against demand, or it could be a headcount figure derived merely from average labour costs.

- Forming part of an integrated business plan.

This looks at manpower requirements over a longer period, typically three to five years. It should be based on business plans but also be able to influence them.

- Providing information on employee numbers to managers on an *ad hoc* basis.

This may be in response to third party or internal enquiries for data. The reasons will be various but may include those of a public relations nature.

- Meeting legal or quasi-legal obligations.

Examples are the information needed for the annual report, or as part of an ethnic monitoring exercise.

- Informing resourcing decisions.

An understanding of supply and demand can be used to assist such activities as recruitment, succession planning, restructuring *etc.* It may be carried out as part of daily work or it may be done on a project basis.

- Providing input to forecasts of manpower requirement for an occupation or industrial sector.

When the structure of the supply (restricted sourcing, long term training *etc.*) and/or the nature of the demand (monopolistic activity) is such as to require forecasting over longer time frames, sophisticated tools are often used to model the dynamics of this balance. This sort of planning tends to be carried out by central government bodies which both set the planning parameters and use the output to frame, for example, educational provision for doctors and dentists.

Thus HRP techniques can be used in formal planning settings, as a means of obtaining information, in project work, or in long range forecasting. They can be used at all levels in the organisation and over the short and the long term. Figure 1.1 in simplified form illustrates this range of resourcing and planning processes, on the basis of where the decisions are taken, over what time frame, and whether they relate to individuals or to groups of employees. Those planning activities that concern aggregates are shown in *italics*. Decisions regarding individuals which we would regard as part of resourcing, are in normal typeface.

However, who the actors are and what their involvement is, depends upon the issue and the priorities of the moment. The assumption that the corporate centre is only interested in the long term future of the organisation as a whole, is not always true. So, for example, during corporate change, senior management may be concerned with a level of detail and immediacy that might be considered unusual and not conforming to the expected relationship between the centre and operating units. In normal times, the making of senior appointments, the development of high fliers or management succession, demonstrate that they also deal with individual issues.

Since planning and resourcing activities take place at a variety of levels within organisations, and with different purposes in mind, there is a need for HR planners to integrate them such that each informs the other. HR planners also have the problem

Figure 1.1 A framework for HR planning activities

	short term (<1 year)	medium term (1 to 5 years)	long term (>5 years)
local	deployment job filling restructuring	manpower budget	
corporate	senior appointments	graduate recruitment business planning succession planning	
sectoral			industry occupational forecast

Source: IES

of responding to requests for help from a variety of different sources for different reasons. They cannot take for granted that responsibility and capability go together, or that those who pose the questions understand what is worthwhile to provide. Senior managers or business planners may not realise the difficulties and complexities of manpower planning and deployment. They may hold too simplistic a view of the relationship between demand and supply or between business structures and resourcing patterns.

In conclusion, we can say that organisations at some time or another, in some location or another, may be involved in all aspects of HRP, with the probable exception of sectoral forecasting. The way it is applied will suit individual organisational circumstances and the particular needs of the moment. Moreover, the nature of the decision to be made, its timeliness, the parties involved and the context, will determine what techniques are appropriate to use.

3. Illustrating the Uses of HRP

Space does not permit coverage of all the ways in which HRP can be applied to deal with substantive issues. We have selected some examples which are pertinent to the problems that organisations are facing today and have always faced. What could be more important than retaining your skilled staff or developing your future managers? Think of the problems that would be caused through mismanaging a downsizing exercise, or miscalculating staffing requirements for a new activity. HR managers are continually dealing with these or similar issues. What we hope to demonstrate is that simple HRP techniques and basic employee data can be used to make more informed and robust decisions.

Each of these sections is self contained and can be read separately, but taken as a whole they illustrate the most important HRP principles.

3.1 Issue one:

Determining staff numbers required at a new location

Supposing you were intending to open new offices, sales centre or factory at a new location. What issues would you consider in choosing the site? Increasingly organisations are looking not only at the traditional cost factors of property values and development grants, but also at labour supply. Is there a sufficient supply of the right sort of labour, at the right sort of price to meet your needs? If so, you would want to know how many and what sort of employees should be hired.

3.1.1 Choice of location

If you have not yet decided on the site and you wish to analyse the local labour market, what information would you need?

Table 3.1 The IES approach to a labour market review

Travel to work patterns — examining the likely catchment area of potential recruits, the local commuting flows, distance of travel and mode of transport to work.

Labour supply — looking at the labour supply potential of the local area. In particular covering: population trends and forecasts; labour force trends and forecasts; economic activity rates; school leaver trends and qualification levels.

Employment — showing the sectoral and occupational breakdown of employment, concentrating on those industries and occupations of most interest to the local employer; working patterns in relevant sectors and occupations; and recent employment trends and likely future projections.

Labour market tightness — looking at indicators of labour market tightness and labour demand activity, including: recent trends in unemployment; the experience before the recession; the duration of unemployment; former occupation and industry of the unemployed; trends in vacancy notifications; and indicators of recruitment difficulties by occupation and industry.

Wages and earnings — giving details of wage rates and salary levels in the local area, for the workforce as a whole, and for relevant occupations and sectors.

Source: IES

Box 3.1 illustrates the data IES would seek to cover if it was commissioned to carry out such an investigation.

3.1.2 Number of employees required

If this is to be a sister greenfield location to existing brownfield sites, there are a number of choices to be made. By comparison should there be:

- a reduction in staff but same or greater output (*ie* staff will work harder or more effectively)
- no increase in staff, or technical or organisational change, but higher productivity (reasons as above)
- no increase in staff but improved output due to

- better deployment
- investment
- increased overtime
- new technology
- an increase in numbers due to current overload (producing high absenteeism)
- the same numbers, same output.

In order to be more precise as to requirements, there are various ways in which the numbers can be calculated. Which of the following list will be chosen will depend upon the purposes for which the information will be used, and the availability of the relevant data.

- *Financially derived.* A simple top down approach is to calculate what numbers can be afforded in the economics of an activity. More specifically, if there is a total sum allocated for staffing costs from the budget, the average cost per head could be determined and the numbers derived. However, this approach tells you nothing of who needs to be employed.
- *Ratios.* These can allow you to determine staffing against a business criterion, eg size of sales. The relationship between the two is analysed which should allow you to fix your numbers against expected business performance. To calculate the need for indirect labour, a ratio against total staff is often set. Unless frequently reviewed, this assumes an unchanging relationship between the two parts of the equation which may not be appropriate, particularly if the organisation is seeking to lower costs or increase output.
- *Professional judgement.* This can mean exactly what it says or it can be a guesstimate. The danger of this method is that managers are likely to overestimate what is needed, either to maximise their resources, or because of an underestimation of productivity possibilities. A further problem is that the assumptions which underlie the resulting manpower figures are not explicit, which makes responding to subsequent change more difficult.
- *Work study.* This technique allows you to determine optimal resourcing for a new operation, based on models of ideal productivity. It is based on detailed calculation of such things as the 'standard time' taken to carry out an operation. It can take into account the effect of technological, business or social change, but needs to be kept up to date.

- *Activity analysis.* This can be used to identify areas for improvement in some detail. Thus it can look at present arrangements and suggest how many employees you need for each task and recommend changes in working practices, in allocation of duties, and in the size and shape of resourcing.
- *Trend data.* Key relationships can be examined over time. Future forecasts can be based on extrapolating from past data to predict future trends, eg to show up productivity improvements. As with forecasting in general, this seems less attractive at present because it does not allow for radical change.
- *Business process re-engineering.* This aims to provide a more systematic identification of the means to improve how things are done. BPR was not designed for resource planning as such, so that whilst it may lay out the connections between processes, it does not go on to tell you at each stage how many staff you need.
- *Benchmarking.* You could use the staffing of your sister plant as a guide and, if possible, compare against other similar sites owned by competitors. Benchmarking can lead to step changes in what is thought possible, or it may reinforce bad practice — it depends on the performance of the comparators chosen. Care also needs to be taken over making sure like for like comparisons are made.

3.1.3 Who should be employed

Who should be employed is intimately related to how many should be employed. Some of the methods outlined in 3.1.2, eg work study and re-engineering, can assist you in determining the organisation of tasks, as well as how many staff you need to employ. The type and distribution of skills they should have is also critical. Activity analysis could help here, but care needs to be taken to ensure that change in technology, or in the duties they are asked to perform, is taken into account. You also need to consider how you can achieve improvements in productivity through improved deployment and a different mix in your workforce. Possibilities you might consider are:

- *multi-skilling* to allow flexibility of deployment, which may mean fewer or better utilised staff, or less overtime
- *contractual flexibility* to match contract length to the period of any start-up or specific projects
- *temporary labour* from an agency to cover short-term (holiday or sickness) absence, thereby reducing the overall staffing

- *outsourcing* a non-core activity, particularly if it is of declining interest, to achieve cost savings or better service
- *locational flexibility* to reduce numbers on site by using home or outworkers, thereby cutting some overhead costs
- *temporal flexibility* to provide a more precise match between employee input and work output (eg through part-time working, annualised hours contracts etc.)

and so on.

3.1.4 How to acquire the staff

In order to recruit the appropriate staff, it may not be a case of your deciding to introduce flexibility. Rather you may have to offer such things as part-time or term-time working patterns in order to secure your supply. This means you need to know the characteristics of the appropriate labour market or markets within which you are recruiting. At the lower skill end, you are likely to recruit from local sources; whereas for some occupations you will have to operate on a national or even international basis. Box 3.1 shows the principles of the information you need irrespective of the market. However, there are important differences between them, including the sources of information you would use, the lead time in acquiring new recruits, the methods needed to attract them, the sensitivity of the market (price and volume) to supply and demand, the nature of the competition etc. An investigation of this kind, however informal, should improve the efficiency of the exercise.

3.2 Issue two:

Problems retaining your highly skilled staff?

The second use of HRP techniques we will illustrate is the question of how to retain key staff or, viewed negatively, how to avoid losses. This is an issue which self evidently needs to be addressed. Of course, if your organisation has a low resignation rate, either traditionally or because of the current state of the labour market, you may not see this as of vital concern. However, it is important to keep track of your wastage levels to know whether they are constant, whether they vary by any key factor (age, gender, grade, skill group etc.), and the reasons why people leave and stay. If retention is not monitored, it can be costly if the wrong people leave.

3.2.1 Understanding wastage

Losses occur for a variety of reasons which can be classified as:

- retirement
- natural wastage through
 - resignation
 - ill health or injury
 - death in service
- involuntary wastage through
 - redundancy
 - 'voluntary' severance
 - 'early retirement'
 - dismissal

Some wastage is predictable (*ie* normal retirement), some is usually unavoidable (death or ill health) and 'involuntary wastage' is in the hands of the employer. What concerns management is resignation. It is usually regarded negatively because of its cost, both in losing people you do not want to lose, and through the expense of replacing them. Nevertheless it can also be positive. It can create healthy movement by generating vacancies and remove those (either quantity or individuals) you do not want to keep.

Thus there are no ideal wastage rates. Variation can occur within organisations and between them. Some sectors and occupational groups traditionally have higher rates than others. Although recently disputed (Healy *et al.*, 1995) it has always been believed that the propensity to resign decreases with age and length of service. This seems particularly true for younger employees and for those in their first job. Wastage also tends to increase as the state of the economy improves, because chances of alternative employment are improved. But what motivates people to leave has a number of causes. As illustrated in Box 3.1, these can be viewed both positively and negatively.

3.2.2 Monitoring wastage

Employers should thus keep track of internal and external developments by:

Box 3.1 Reasons to leave an organisation

Positively expressed reasons	Negatively expressed reasons
to facilitate a change of career	because of feeling under challenged
to obtain more money	because of being undervalued
to get better working conditions	because work is badly managed
to better oneself through career advancement	because of an unfair promotion system
to acquire more secure employment	because of continuing uncertainty
to find a more amenable employer	because of poor relations with the boss
to find a job closer to home	because commuting is too stressful
to look after dependant relatives	because of inflexible working arrangements
to improve personal relationships	because of a bad atmosphere at work

Source: IES

- reviewing periodically the state of the external labour market, particularly for key skill groups
- monitoring resignation rates over time for key groups, analysed by age, length of service, grade, gender *etc.*
- benchmarking resignation rates against other similar organisations
- checking how employees view the operation of the internal labour market, through periodic attitude surveys
- examining the reasons for resignation, from exit interviews or questionnaires (though it can be difficult to get honest and accurate answers).

If wastage is at all significant, it would be worth costing the affect on the organisation. An assessment would consider:

- short term costs of
 - separation of leaver
 - temporary replacement
 - recruitment of joiner
 - induction and training of replacement
 - lost productivity
- longer term costs of
 - loss of skills and experience

- organisational disturbance
- disrupted succession plans

3.2.3 Assisting retention

You should now have established:

- how many of your highly skilled staff are leaving
- whether this is at a high historical level
- how it compares with other groups, internally and externally
- why they are leaving
- whether it is at an unacceptable level
- what this is costing you.

You can then decide if you wish to take action. What you do will be determined by what you know of the reasons for the losses. Is it wholly driven by external labour market effects, a problem you share with similar employers? Or is it to do with your own employment policies? If it is the former there may be not much you can do about the problem, certainly in the short term, but you can consider:

- a different approach to finding staff, *eg* using a head-hunter or agency rather than direct recruitment
- changing the normal profile of recruitment to include different types of employee by age, gender, qualification *etc.*
- internal promotion instead of recruitment
- redesigning the work so that it can be done by those with lower turnover (*eg* less senior staff)
- transferring in employees from elsewhere within the organisation
- retraining your own staff of the same grade
- using agency labour instead of regular employees.

If the loss rate is peculiar to your organisation and is concentrated in the first five years of employment, you can review:

- how good the selection process is (the extent of fit)
- whether unrealistic expectations are being generated during recruitment

- how well the new recruits are inducted into the company
- whether the mentoring system is working adequately
- whether the new recruits are being sufficiently challenged in their work
- whether pay progression is fair and competitive.

Resignation rates may be concentrated by skill, grade or gender. Some examples of the issues which might be addressed are:

- career blockages at particular grades, leading to frustration at waiting for promotion
- inadequate professional training by comparison to other employers
- poor maternity or career break provisions unlike other firms
- insensitive handling of staff mobility issues.

If the loss rates affect all types of employee, then a more systematic review of employment issues is required. This should include both those in employment and those whom you seek to attract via recruitment.

Even without considering all the aspects of retention, we have discussed a broad understanding of the shape and size of your resignation rate and, if possible, the reasons why people leave. This should allow you to decide whether and what sort of remedial action is required.

3.3 Issue three:

Managing an effective downsizing programme

This is an all too common problem faced by managers. It is a high profile exercise which often takes place in a context of considerable stress and pressure on those involved. In these circumstances it can be difficult both to keep in mind the short term objective of meeting your target manpower level whilst at the same time protecting the longer term interest of retaining the appropriate number and type of skills. HR planning techniques can help this process. Again this does not need to be a complicated task. All that really is required is a good route map; you need to know where you are starting from (your current supply), where you want to get to, and the various means of getting there.

3.3.1 Setting your objectives

This requires that you are clear as to the end result you wish to achieve by:

- business stream/department/location
- function/skills/job
- grade/salary level
- individual short term capability/longer term potential
- contract type
- age/length of service
- gender/ethnic origin/disablement.

Thus you need to know where in the organisation these staff are to be deployed, what skills they should have, how they should be distributed by grade/level and whether they are of the requisite quality. If you have objectives concerning say the mix of full-time and part-time work, or regular versus temporary staff, you will also want to set targets by contract type. You may also set aims regarding your age/length of service distribution, for example, to keep a balanced workforce, or deliberately to create a younger profile in order to reduce costs. You may have objectives regarding gender/ethnic origin/disablement proportions so as to comply with your equal opportunity policies.

3.3.2 Choosing your route

Having determined what you want your manpower to look like at the end of the exercise, there are various routes to arrive there:

- normal retirement
- resignation
- enforced redundancy
- 'voluntary' severance
- 'early retirement' (which is really only a subset of severance)
- retraining
- redeployment/transfers out.

There are two particular problems which face HR managers when trying to use these means to meet the above ends. Firstly there is the speed at which senior management usually wish to proceed with the exercise, and secondly there is the desire of some managers to minimise employee relations problems. Both are in themselves understandable and laudable objectives: to complete the exercise with the minimum uncertainty and pain. Thus combinations of 'natural wastage' (meaning retirement and resignation) and voluntary severance are often preferred to enforced redundancy based on management selection. Other management teams take an alternative position that the numbers must be cut as quickly as possible without reference to any 'natural' reduction processes. However, both approaches neglect issues which an understanding of HR planning could rectify. These impact through:

- a misunderstanding of wastage, for example:
 - ignoring the effect retirement and other processes will have over time in reducing the workforce naturally, thereby obviating the need for intervention
 - once the run-down is announced, forgetting that the resignation rate will drop which will make it harder to reach a target by natural means
 - similarly, in a severance programme, progress to normal retirement will probably be restricted by a differential take up of those approaching that age
 - neglecting the fact that if recruitment is stopped, the proportion of staff with short service will fall, and with it the overall resignation rate
 - conversely, not realising that if the average age drops and length of service shortens because of an early retirement programme, the average resignation level will rise.
- the effect a differential take up of severance will have in producing a skewed distribution by such factors as age, length of service, experience, grade, skill, gender, disability or ethnicity
- failure to take account of the external labour market, for example by allowing those to leave who are difficult or expensive to replace — the staff most likely to accept offers of severance for precisely this reason. These can be either employees with particular skills or of high quality.

3.3.3 Bringing the HRP influence to bear

The problem for the HR manager is being able to bring these issues to bear in sufficient time that they can be taken into consideration in the management process. This means:

- making the decision makers aware of the current shape of the workforce — based on the criteria listed earlier
- indicating the relative cost and speed of effectiveness of the various methods shown above to reduce manpower
- indicating what problems they are likely to bring in their wake.

In more detail, using HRP insights, this would require:

- estimating reductions through resignation and normal retirement and predicting the take up of severance
- determining any inward movement, largely from recruitment, but also those returning from career breaks, maternity leave, assignments or secondments elsewhere
- recognising that poor or marginal performers are unlikely to be dismissed during this period — severance is an easy way out for both parties
- providing a cost/benefit analysis of the long term advantage to the organisation of retraining, and considering who might benefit from such a scheme
- establishing the potential for transfer to a sister establishment. This will require a knowledge of their absorption capacity (by skill and grade) and possibly the mobility of relevant employees.

The effects of this information can easily be modelled and various scenarios chosen to illustrate the impact of the options. This should take account of key variables (*ie* age, grade, skill group). So, for example, different forms of a voluntary severance package could be examined to see the effects on numbers and types of employee.

If this analysis is presented to management at the start of the exercise, it allows important decisions to be made about how the run-down will be managed and communicated to staff. It might, for example, permit apparently conflicting objectives to be met: compulsory redundancy to be minimised but at the same time the long term interests of the organisation protected. This could be achieved by replacing unrestricted access to

severance with a selective process whereby volunteers are accepted against criteria based on the understanding of the workforce dynamics. Thus some groups (by skill, grade, age *etc.*) would be encouraged and others discouraged to leave. The process would then be monitored throughout to see whether the working assumptions were being borne out; or, if not, intervention would be possible before it is too late.

The alternative to planning a manpower reduction is to allow an uncontrolled process. As some organisations have found to their cost, this might mean a voluntary severance programme that has inadvertently cut too far or failed to reach its target. It can produce an imbalanced workforce in terms of age and service. It can even result in a shortage of scarce skills as key workers are allowed to leave.

3.4 Issue four:

Where will the next generation of managers come from?

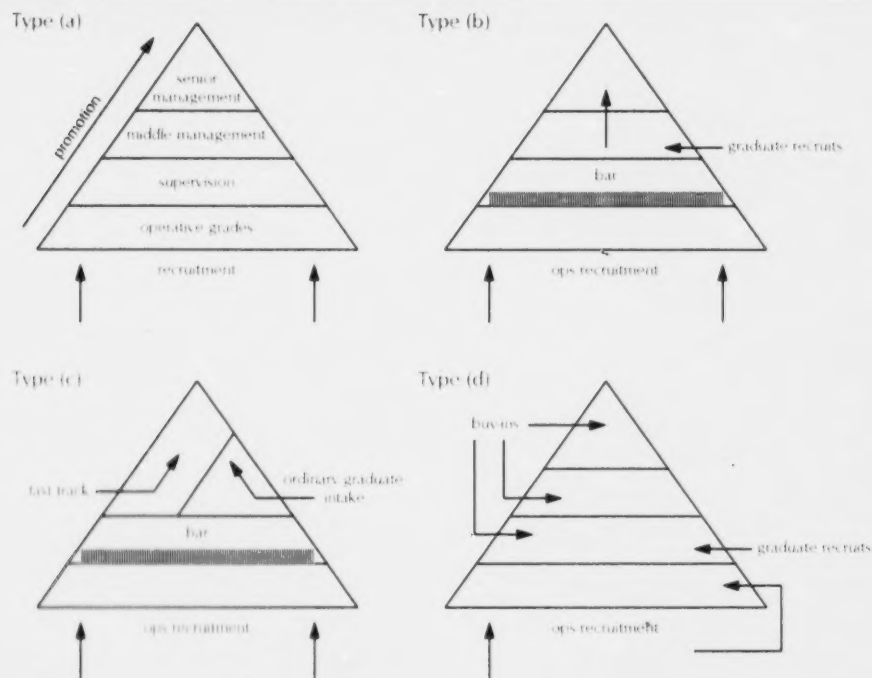
In times of substantial change inside and outside organisations this is a question which troubles many senior executives. They sense that traditional career paths are not what they once were, but are not at all sure whether they will be replaced by new models or whether the very idea of consciously developing managers' careers is unrealistic. In order to tackle this issue, it is best to begin with an understanding of how your current career management system works, before thinking about how it is likely to be modified in future. Consideration can then be given to what actions need to be taken to adjust such things as recruitment, promotion and development processes.

3.4.1 Current resourcing patterns

Career structures are often understood implicitly, but it is helpful to make them explicit, not least because there are often patterns of career movement of which you are only dimly aware.

First of all you need to know which groups you are interested in, and how they are distinguished from one another. The key distinctions may be horizontally determined, by level or grade, or they be vertically based, by function/skill group, or even by location (if staff do not transfer between units).

Figure 3.1 Four common types of career system



Source: IES

Taking level first, your career system can be illustrated schematically and in simplified form as in Figure 3.1. This shows the differing ways in which recruitment and development can be managed within the same organisational structure. In some ways it can be seen as an historical pattern, as organisations have tended to move from example (a) to (d) over time.

Example (a) is probably less common now, because most of those who reach the top of organisations have not worked their way from the bottom but have come in through graduate trainee or other special entry schemes. This is shown in example (b) where there is also a barrier to progress from below. In practice this is likely to be an informal 'glass ceiling' and examination of your promotion records would reveal whether it exists. Many organisations then introduced some form of 'fast track' recruitment and development distinct from that which applied to ordinary graduates, as illustrated in example (c). This bifurcation sometimes occurs at recruitment: more commonly it

is done following appraisal of performance in the early years of service. Pressure to achieve greater flexibility and the wish to avoid giving a 'career promise' to the majority of employees has meant that example (d) has become more common of late.

Such a diagram is helpful in addressing questions of managerial supply, and in particular where they come from. Further analysis of your personnel records can tell you:

- the amount of promotion in the system
- the proportion from each grade
- its distribution by age/length of service/ethnicity, gender etc.
- the significance of movement (including lateral transfers) between career streams
- any predisposition to favour those
 - with particular demographic characteristics
 - with certain skills
 - from particular locations
 - from specific functions or business streams.

Identifying career paths can be important particularly if they reveal any conscious or unconscious biases in the system. Thus it may become clear that to make progress it may be necessary to be a member of a certain group, or to pass through a specific function.

To complete this review of the current status it is helpful to conduct an inventory of present managers and, if you use some form of predictor, those with managerial potential. The following data are required:

- business stream/department/location
- function/skills/job
- grade/salary level
- short-term quality/longer term potential
- contract type
- age/length of service
- entry route
- gender/ethnic origin/disablement.

3.4.2 Future resourcing patterns

The last section detailed your current supply of managerial talent and the career system within which it sits at present. To answer what is needed in future, you have to consider your future demand and what internal or external influences will impact on career processes.

The requirement for new managers will be affected by a number of factors:

- change in the number of managerial posts caused by
 - organisational restructuring (eg delayering, devolvment)
 - alteration in the nature of the business by such things as
 - merger with another company
 - divestment or acquisition of an activity
 - expansion or contraction of product range
 - introduction of new model of service delivery
 - addition or closure of production capacity
 - entry into/exit from (geographic) market
 - increase or reduction in research and development
 - introduction of new technology
- wastage of the current population (through retirement, resignation etc.).

Thus the requirements for managers can be affected by self imposed organisational change, through the interplay with the external environment and through natural processes which are largely unaffected by business demand. These dynamics can impact both the overall size of the organisation and its shape. This means the demand for managers will rise or fall, and the sort of skills they need will alter.

How can one be more precise about these issues?

If one ignores for a moment demand, and the impact of restructuring, a simple model can be constructed where:

numbers required next year will be derived from numbers now, less normal retirements and estimated losses, largely from voluntary wastage and transfers out.

This would then show how many managers are needed (from transfers in, promotion or recruitment) to keep the system balanced. The resignation rate can be estimated from past behaviour, but will be influenced by the state of your internal labour market and of the wider economy.

More detail is necessary to take account of precise patterns of expected vacancies. Shortages (or surpluses) may come from those:

- suitable and available for immediate promotion
- with potential coming up through the organisation
- with particular skills/experience (which may be professional, behavioural or organisational)
- at particular grades.

This situation can be modelled either in aggregate (but divided up into important sub-groups) or on an individual basis. Assumptions can be made and varied on choice of recruitment points and promotion patterns, by age or service. However, for such models to be really useful, the demand dimension needs to be added. This is best done by applying a number of demand scenarios based on possible business situations, and by observing the outcomes. It is much more difficult to anticipate internal organisational change, but even here potential restructuring can be described and its impact examined.

3.4.3 Taking action

Having considered what the future may hold will allow management to take corrective action in good time. Examples are illustrated below:

- recruiting to cover a long-term shortage of candidates capable of reaching senior management levels
- allowing faster promotion to fill immediate gaps
- developing cross functional/business transfers to give high fliers the broad exposure they require
- hiring on fixed-term contracts staff with specific skills/experience to meet a short-term lack in particular disciplines
- 'culling' numbers of those rising through the organisation where there is a forthcoming surplus

- reducing staff at a particular grade where there is already a blockage
- counselling some to leave if their hopes are not likely to be realised with a reduction in opportunities.

If the net result of these actions is to modify the career system significantly, it is desirable to review it again in the way shown in section 3.4.1. This is because new issues may arise:

- Resignation rates may increase if career frustration results from, for example, mid-career buy-ins denying or restricting promotion opportunities to those below.
- Faster or slower progression may be seen for some individuals or groups to the disturbance of the traditional pattern.
- Delayering will mean fewer rungs on the ladder which may cause lengthening grade occupation times and blockages.
- Delayering might also mean too big a jump from one job level to the next in terms of experience required.

Not only can management take actions of the sort listed above, they can also communicate to staff what these changes mean to the careers they can expect. Managers will be able to use hard data on job occupancy lengths, age of promotion, numbers of inter-functional moves *etc.*, rather than rely on folklore or supposition. This can help in forming new and shared expectations between employer and employee of what constitutes a 'normal' career now.

3.5 Summary

These issues were chosen to illustrate the sorts of uses to which HRP is put. The aim is to give an understanding of the principles of HRP and an indication of how to apply them. This should show that is not about complicated technique; rather, all that is required is some basic information about your staff, and consideration of how they will be utilised now and in the future. In other words, HRP requires a knowledge of supply and demand.

3.5.1 Supply

To understand supply you must have a good picture of your current workforce, derived from your organisation's personnel

records. If computerised, it should be easy to manipulate in ways which give you a proper feel for the sort of dimensions which have been referred to during this section. Thus total numbers can be broken down into useful sub-groups (eg level or function) and then considered by other key items such as age, length of service, gender *etc.* Investing time in the beginning in gathering this data can reap rewards later in applying it even in quite simple ways. Benefits can be derived from monitoring policy decisions (eg for equal opportunities) and in identifying problems on the horizon (as with age profiles). Combinations of the data can also be used to answer 'what if' statements. For example, what effect will there be on numbers if the normal retirement date is lowered; what impact will there be on training facilities if the graduate intake is increased, *etc.*

You should also aim to be familiar with the external labour market. This can initially be considered at the national level through understanding how the demographic position, education outflows and work participation rates affect the shape of the labour force. When considering this picture in more detail to frame recruitment policies, it will be readily appreciated that it is not an undifferentiated, single entity; rather there are numerous markets based on occupation, and skill within occupation, location, and industrial sector. As pointed out in section 3.1.4, how these markets are configured and can be accessed will vary from group to group.

3.5.2 Demand

Understanding demand is not as easy. Broadly speaking, it can be estimated at the local work deployment level, as described in section 3.1.2, or at a broad business demand level. As we saw in the Introduction, organisations have felt buffeted by the rate of change in the external environment brought about by economic, technological, social and political developments. The variety of these influences, the lack of control over them and the perceived pace of change, have deterred many organisations from making an attempt to plan in general, let alone manpower. Yet as Mintzberg reminds us: *'To pronounce any environment permanently turbulent is as silly as to call it permanently stable: environments are always changing in some dimensions and are always remaining stable in others'* (Mintzberg, 1994). It is often most difficult to judge the situation when one feels at the heart of the storm. Yet there are often continuities to be found which become apparent when one compares the present with the past. The difficult trick when

looking forward is to pick those areas that will be 'stable', as against those that are likely to be 'turbulent'.

Trying to grapple with these issues is one of reasons why some practitioners see value in planning; and to this subject we will now turn.

4. The Process Benefits of HRP

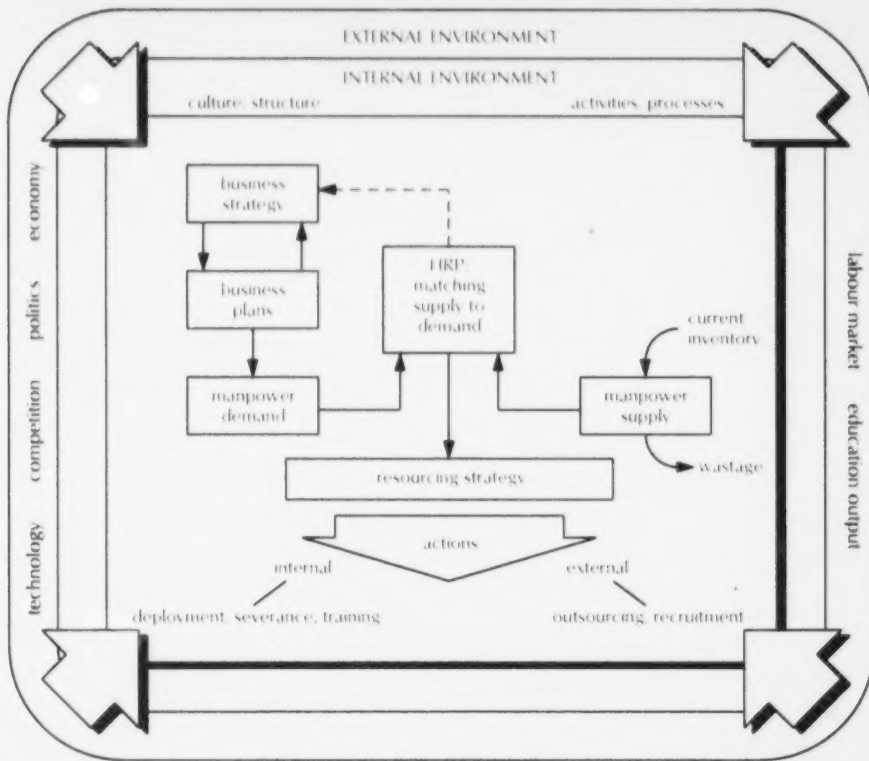
Although perhaps not the prime use of HRP, some organisations see process benefits in developing plans. This is because value comes from '*posing the questions, more than attempting to answer them*' (Pascale, 1991). Asking the questions is seen as useful in the three broad areas that we shall now address. In fact they are closely linked together through the dual themes of confronting the external environment, and finding ways in which the organisation can best respond. Figure 4.1 is a graphical representation of the sort of model that underlies this thinking.

It shows HRP linked to the formation of business plans and, in both consideration of supply and demand, sensitive to the external environment. It is an idealised and simplified model. It implies that strategy-making drives the process of implementation. In fact as the feedback loops are intended to show, reality is more iterative and complex. It is not static but should respond to changing circumstances, either internally or externally to the organisation. Sometimes decisions may follow the strategic vision, sometimes strategies emerge from the action itself, and act as a form of *post hoc* rationalisation. It may be a highly rational process, or one formed in the '*political hurly burly of organisational life*' (Johnson, 1987). For some, the benefits to be derived from HR planning methods lie in bringing structure to the making of business plans.

4.1 Thinking about the future

Traditionally, forecasting was used to develop business and manpower plans. This involved constructing a model to look at past behaviour, recognise trends, seasonal patterns, the effect of the 'economic cycle' and the like, before extrapolating them into the future, making whatever changes to the predictive variables seemed appropriate. Forecasting suffered from a failure to predict

Figure 4.1 A theoretical model of HR Planning



Source: IES

future events as the world became more complex and uncertain, particularly when change became discontinuous, as through the major economic shift brought about by the 1973 oil crisis. This led to the criticism (still heard) that planning is too conservative and risk averse because it is backward not forward looking.

The forecasting debacle precipitated the development of 'scenario planning' as an alternative methodology. This recognises that uncertainty '*is not just an occasional, temporary, deviation from a reasonable predictability; it is a basic structural feature of the business environment*' (Wack, 1985). Scenarios are not intended to be predictive. Particularly as originally developed by Shell, their aim is to challenge assumptions of how the world works as well as to generate understanding of the important factors involved.

The underlying assumption is that managers receive information from the external environment through the distorting lens of corporate and individual mindsets and mental maps. The aim is to open minds to a range of possibilities in what business will have to confront. These can then be ordered in such a way that a series of internally consistent pictures of alternative futures can be constructed. Managers are not forced to choose between them but are expected to recognise the processes at work and the possible consequences. More recent versions of scenarios have become less conceptual and more practical, as a means of describing a range of possible futures against which to plan.

However, it is tempting to ignore the future because of the rate of change, and easy to do so because short-term thinking tends to drive out reflection about the longer term. There is a natural concentration on the immediate because of the need to meet deadlines, particularly if managers are under greater work pressure than in the past. Moreover, the detail of daily work can obscure the overall picture. Spending time developing plans, it is felt, can give staff time and space to consider long range issues in the context of the whole organisation. This is in addition to the benefit that derives from contemplating which factors will be influential and in what combination. This process should allow the organisation to be better prepared for the future and the unexpected to be confronted, not just the familiar. And it is not a question of predicting the future, but looking to see what changes in the external environment will have such a significant effect that policy will have to change.

4.2 Corporate control

After the heyday of strategic business planning in the 1980s, many organisations dismantled their planning processes. This seems to have occurred either because of resentment about what was seen as the dead hand of corporate control, or because it was dismissed as an irrelevance to the actual decision processes in business life. During this same period, many organisations backed up their belief that operating units needed to get on with the actual work of business, by devolving power to them. Responsibility for business decisions transferred from the corporate centre to business streams and, on HR matters, from HR staff to line managers. In some cases, control may simply have been shifted to the next level-down, *ie* from the corporate centre to the business sector. There are, however, organisations

where there was no aggregation of plans at all; the operating units set them independently from each other.

Of late, there has been a reaction against this process. In part this is only a general swing of the pendulum from decentralisation back to centralisation, but it also has specific causes. Some organisations have found that they have lost control over resource management. They see each operating business taking its own decisions without reference to the whole, that no benefit is derived from belonging to the same organisation. They observe the effects of uncoordinated or planned upsizing during the boom and downsizing during the recession. They are concerned that the wrong people have left and that resource shortages will return.

In this situation HRP is seen as providing a means by which the centre can regain control. It can require operating units to plan their resources in a structured way, defined corporately, and then to report periodically on progress, be it through headcount or budgetary performance. This allows the centre to monitor events and take corrective action if necessary. It also allows the organisation to optimise resourcing across its constituent parts. This permits retraining and redeployment exercises which could reduce the need for expensive severance programmes. Organisations seem to be aware that they must exercise their powers in such a way that they do not become unnecessarily burdensome — too rigid or too complex. Lack of sensitivity to the varying needs of distinct businesses and bureaucratic procedures (eg establishment control) were, after all, some of the reasons why devolvement occurred in the first place.

If exercising control is neither possible nor desirable, it may be that using HRP may gain some measure of influence over operating units. The model here is more of selling ideas rather than imposing them, although the aim of corporate optimisation may be the same. The centre then will seek opportunities to demonstrate the value of HR planning, particularly through project work where corporate contribution may be invited or accepted.

4.3 Integrating actions

Though not necessarily a part of a move back towards corporate control, the final process benefit of HRP is certainly assisted by

the existence of a viable central structure. As we indicated above, there is an understandable desire to optimise for the benefit of the enterprise as a whole. This is most easily done by integrating the actions of the various parts of the organisation, be they businesses or functions, so that they are all working to common objectives.

This can be done via the formal planning process, where the centre tries to achieve a common approach by detailing:

- assumptions about the environment (eg economic or political situation). These are sometimes called 'planning premises.'
- broad business strategy concerning key decisions (investment/divestment etc.)
- financial constraints — capital and operating cost limits
- resource constraints, eg maximum headcount.

It can also try to achieve commonality by gaining acceptance of the enduring purposes of the organisation through the use mission and value statements. Thus, despite all the short-term disturbance and parochial differences of view, all can focus on its overarching aims and objectives.

The intention is that both tangible plans and softer statements of purpose can be communicated to staff to obtain their support, and to ensure that they are reflected in their daily work. Detailing the plans also means that implicit assumptions about why courses of action are chosen are made explicit, and thereby subject to later challenge. The plan can then be monitored and adjusted to avoid what has been called 'strategic drift' (Johnson, 1987), where the match between the direction of the organisation and the external world gradually disappears.

In the specific case of HR as a function, there is a particular desire to ensure that its activities are integrated with those of the rest of the business. This has been particularly so since Human Resource Management, in place of old style personnel, sought to respond to strategic planning's ambition to get all resources considered within the framework of the overall business plan. In practice this has not always been successful. Research suggests that HR often does not seem to be in a position to alter plans. This is because it is usually 'downstream' of the strategic decisions, and is expected to operationalise them

rather than assist in their formulation (Purcell and Ahlstand, 1994).

HRP may not solve this problem, but by making the explicit link with business plans, as shown in Figure 4.1, it gives HR managers the chance to influence, and the requirement to know.

5. Conclusion: the Future of HRP

As we have seen, manpower planning has waxed and waned with the state of the labour market. When supply has been tight, the need to minimise wastage has been an important objective. This has usually coincided with an economic boom which has encouraged future optimism. Hopes of expansion have meant that resources have had to be mobilised which, with a shortage of supply, meant planning ahead. There was recognition that the economic cycle would turn downwards, but planners expected that this could be anticipated such that any workforce reduction could be handled relatively painlessly and efficiently. Manpower planning has also followed the fortunes of corporate planning. It was consistent with the scientific management model of organisations, where control of events was seen as both possible and desirable. It fitted situations where the exercise of this management was centralised and only limited power was devolved.

The UK scene today exhibits few signs of the above picture. Whilst there may be pockets of labour shortage, feelings of job insecurity combined with high levels of unemployment have resulted in a less than buoyant position. Pessimism is more common than optimism amongst managers, or perhaps it is more accurate to say that they are cautious over future prospects. Most have been, or are, coping with the effects of downsizing; not a context which is conducive to worrying about the resignation rate or planning staff requirements for five years hence. Job reductions have coincided with organisational devolution. In the transfer of corporate power to operating businesses, the manpower planning responsibility has often been mislaid, or the skills to do it lost. The final nail in the coffin has come from 'post modernist' thinkers who stress the behavioural aspects of work. So, on the one hand, the drive to empower staff and harness their energies works against the 'determinism' of manpower planning, whilst on the other hand,

the stress on the political and cultural nature of decision making challenges the assumption of rationality in planning of any sort.

The result is a perception of instability; that change is a constant companion that must be welcomed however unsettling this might be. This situation is an anathema to planning. Yet we have seen that there are organisations who continue to plan or who are starting again. Why, against the above background, might this be so?

There are, as we indicated in section 2.1, organisations who, for their own reasons, believe they must plan their resources over the longer term. There are others who may be concerned that, in the absence of HRP, business rationalisation is in danger of throwing the baby out with the bath water. At a simple level, they fear an 'anorexic' organisation will be produced if the numbers cutting does not stop sometime. At a deeper level, there are worries that key skills are being lost which make it more difficult to meet business objectives, or to beat the competition. The failure to apply manpower planning techniques has, in many instances, allowed experienced and valuable staff to leave organisations in greater numbers than desirable. Employee relations considerations of easing the reduction have come before the long-term health of the business. Without protection of organisational 'core competences' there is the possibility that competitive advantage may be lost. Additionally, certain organisations are concerned with the negative effects of devolution in losing overall corporate advantage.

Some organisations believe thinking about the future helps to prepare for it. In particular, they wish to ensure that there is sufficient awareness of the importance of the effects of the outside world. This was the *raison d'être* for business planning in the first place. Strategy may in fact tend to be reactive rather than proactive: to respond to threat rather than to anticipate opportunity. Nevertheless, a shared view of the nature of the reality within which organisations are operating is necessary to avoid 'corporate anarchy' (Wack, 1985). This is particularly true in the more devolved and complex organisations of today. More specifically, there is a feeling that in the absence of a corporate overview, decisions taken locally are too short-term and narrow in perspective. There is a desire to optimise for the benefit of the organisation as a whole, and to avoid a roller coaster ride of falling from peak to trough only to swing back up again. Furthermore, the requirement to meet the need of employees to

be kept informed, suggests that processes will have to be more open and explicit than in the past.

What can HRP offer? We have used this term rather than manpower planning as a descriptor because it recognises that there needs to be a shift of emphasis in how organisations will manage their labour flow. Except for those whose environment allows or dictates it, very few organisations are likely to use complex statistical models to calculate their supply needs. Most companies probably believe that their environment is too unstable to justify techniques with that degree of predictive accuracy; demand cannot be specified with sufficient precision. Thus, for the most part, organisations want HRP systems which are:

- responsive to change
- where assumptions can be easily modified
- that recognise organisational fluidity around skills
- that allow flexibility in supply to be included
- that are simple to understand and use
- which are not too time demanding.

HRP tries to respond to these imperatives. It should avoid the accusation levelled against over-quantification and *'wrong headed analysis (that) . . . is too complex to be useful and too unwieldy to be flexible; analysis that strives to be precise (especially at the wrong time) about the inherently unknowable.'* (Peters and Waterman, 1982). In the spirit of the same authors' famous dictum 'KISS' — keep it simple, stupid! — here is list of areas to which organisations might give particular attention:

- Use scenario based demand planning at the macro level, concentrating on key variables, not the detail, and recognising that these are not deterministic forecasts.
- If micro demand has to be based on managers' best guesses, try to find a method which if not validates, at least exposes the assumptions upon which plans are based.
- Monitor performance against plans, and have mechanisms which highlight both deviations against requirements and incorrect assumptions. Ensure appropriate remedial action takes place.
- Get good comprehensive data on your own staff, and sufficient on your external labour markets.

- Understand how resourcing works in your organisation — what sort of career paths, how many entry points *etc.*
- Monitor your internal supply using a few key indicators which expose important issues. In particular, keep a careful eye on wastage by skill, age, grade or whatever criteria are important to your organisation.
- Use a knowledge of the supply/demand balance for informing critical HR processes such as management succession or graduate recruitment.
- In good time before a recruitment exercise, investigate the state of the appropriate labour market(s) in order to make whatever policy adjustments are required, and be prepared for the likely response.
- Before embarking on a severance exercise, look at your age/service profiles by skill and grade to see what effect the reduction will have, based on current policies.
- Use HRP techniques in resourcing projects, particularly in judging the effects of change.

The extent to which organisations regard these processes as discretionary will probably turn on the state of their own internal labour market, and what is happening in the wider economy. On the former, if there is a pendulum swing back towards centralisation and away from decentralisation, HRP is a vehicle for the centre to get a better handle on what is going on in the devolved businesses. The growing importance attached to skills or competences is likely to mean a greater planning of what is required, in terms of training and recruitment to meet future needs. Not only is it appropriate to detail these competences and how they are bundled together in jobs or tasks, but also to know how many of what sort you require over how long. Similarly, if there is concern that there is a shortage of talent coming through an organisation, or problems in senior management succession, this will necessitate both a quantification of the problem, as well as individual solutions.

Regarding the external labour market, IES research suggests that a tightening will occur but differentially. So it only needs problems with retention, or difficulties of recruitment in a particular area (information technology being one of the most volatile of late), to require the re-learning of lost HRP skills. And as we pointed out above, there are many uncomplicated ways of understanding the organisation's manpower situation and considering its future dynamics. Whilst some organisations

will rightly want to continue to use sophisticated models, this not necessary for all users. Simple spreadsheet models, tailor-made rather than generic, should suffice, based on the use of accurate and complete data. For the generality of HR professionals, a knowledge of HRP and particularly an understanding of employee data sources is probably desirable. For them, HRP is often best applied in the general context of their everyday work. Specialist expertise, either internal or external, may only be required for infrequent and more complex tasks. HR staff have tended to concentrate on supply issues, leaving line management to worry about demand, and *vice versa*. Whilst this may be an acceptable, though not necessary, division of labour, it is important that HR understands the business issues just as line managers need to be aware of supply mechanisms.

Finally, HRP should not be over-ambitious in its objectives. As was emphasised in discussions with practitioners, you cannot plan for major discontinuities or departures from normal activities such as occur in a take-over, or even in some cases a merger. You cannot plan for them, not just because they may be unexpected, but even where the threat is known the detail is critical — crucially dependent on the parties and on the precise terms of the deal. It is probably too much to hope that through planning you can even out labour peaks and troughs as the pioneers of manpower planning hoped — the oscillations are too violent and unpredictable. HRP may, however, act as a corporate *caution* in reminding organisations of the effects of over-enthusiasm in recruitment during booms, and over-zealous cutting during recessions. The aim should be to devise ways of keeping the organisation adaptable to change, in ways which are consistent with its mission and values. Moreover, HRP should be a living process, not a set of documents to be filed each year, able to respond to changes as they occur. It cannot predict a merger, but it can deal with the supply/demand consequences. HRP is likely to be all the stronger if, as with other aspects of HR work, it can get closer to the business agenda and influences, as well as reflect its imperatives.

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Human Resource Planning:
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The Institute for
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ISBN 1-85184-238-1



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